



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett  
County Executive

Joseph F. Beach  
Director

MEMORANDUM

March 10, 2011

TO: Valerie Ervin, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget  
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY11 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. At this time, County Government tax supported departments are estimating year-end expenditures to be \$1.9 million higher than the approved budget. Several departments, as noted below, are experiencing difficulty in meeting attrition and lapse assumptions resulting in higher than anticipated overtime expenditures. A set aside for these unanticipated expenditures will be included in the County Executive's recommended operating budget. We will continue to monitor department spending and may make revisions to this estimate to reflect more up-to-date information with the release of the Executive's recommended budget on March 15. Significant expenditure variances are described below.

**Second Quarter Expenditure Results**

The Department of Correction and Rehabilitation is estimating an over-expenditure due to lapse occurring more slowly than the significant amount assumed in the budget, higher costs for overtime roll call pay, and overtime costs from multiple openings of the last inmate unit at the Montgomery County Correctional Facility.

The Department of Police is projecting to be overspent due to its significant budgeted lapse assumption, attrition occurring more slowly than anticipated, and the increased costs associated with an overtime patrol detail assigned to the Silver Spring central business district.

The Department of Public Libraries is projecting to be overspent because its current staffing level, after significant reductions in the last two years, cannot sustain the budgeted lapse assumption.

The Sheriff's Office is projecting to be overspent because of excess compensatory leave payments.

Office of the Director

Transit Services is projecting to be overspent primarily because of higher overtime costs related to backfilling vacant bus operator positions.

Fire and Rescue Services is projected to be overspent because of higher than budgeted overtime and costs associated with backfilling employee absences, a delay in anticipated administrative retirements, and reinstatement of a liquidated prior year encumbrance for the electronic patient care system.

The Department of Permitting Services has incurred higher personnel costs due to requests for expedited permit reviews which are performed on overtime and less than expected lapse and turnover savings from abolished positions. Additionally, DPS is incurring higher space rental costs because of delays in build-out of the Public Safety Headquarters due to longer than anticipated construction period needed by the contractor and delays in expected office relocations.

The following non-departmental accounts are projected to be over-spent: Leases because of delays in anticipated lease terminations related to delayed completion of build-out of the Public Safety Headquarters, Prisoner Medical Services because of higher than budgeted medical costs, and Working Families Income Supplement because of a higher than expected number of beneficiaries.

Through the end of January, the County has incurred almost \$23 million in total snow removal and storm damage cleanup costs this fiscal year, which is about \$20 million more than included in the operating budgets of the Departments of Transportation and General Services. These costs, and additional costs to be incurred for the remainder of the season, will be funded from the existing set-aside. We will provide an update on the set-aside with the release of the Executive's recommended budget on March 15.

#### **Second Quarter Revenue Update**

Attached is an update on tax revenue collections through the end of the second quarter.

#### **Reserves**

Due to estimated current year revenue declines and additional expenditures as noted above, total tax supported reserves across all County-funded agencies are estimated to be approximately \$62.8 million less than assumed in the original FY11 approved budget. While total FY11 reserves are anticipated to be below the 6% level assumed in the budget, the draw-down on reserves is from the County's undesignated reserves, which are estimated to be approximately \$38 million at the end of FY11. Additional details on the County's reserves will be included in the Executive's recommended budget on March 15.

JFB:ae

c: Isiah Leggett, County Executive  
Timothy L. Firestine, Chief Administrative Officer  
Kathleen Boucher, Assistant Chief Administrative Officer  
All County Government Department Heads and Merit Directors

Attachments: Second Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 12/31/10

# FY11 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<b>Tax Supported</b>					
<b>General Fund</b>					
Board of Appeals	566,830	566,830	551,300	15,530	2.7%
Board of Elections	7,971,680	7,971,680	7,891,980	79,700	1.0%
Circuit Court	9,813,050	9,813,050	9,714,920	98,130	1.0%
Commission for Women	881,300	881,300	880,950	350	0.0%
Consumer Protection	2,079,200	2,079,200	1,989,830	89,370	4.3%
Correction and Rehabilitation	61,806,240	61,806,240	62,928,110	-1,121,870	-1.8%
County Attorney	4,552,550	4,552,550	4,575,120	-22,570	-0.5%
County Council	8,712,490	8,712,490	8,625,370	87,120	1.0%
County Executive	4,767,200	4,767,200	4,493,390	273,810	5.7%
Economic Development	6,285,150	6,285,150	6,243,990	41,160	0.7%
Emergency Management and Homeland Security	1,333,090	1,333,090	1,298,970	34,120	2.6%
Environmental Protection	1,947,210	1,947,210	1,907,890	39,320	2.0%
Ethics Commission	218,250	218,250	213,200	5,050	2.3%
Finance	9,596,890	9,596,890	9,498,380	98,510	1.0%
General Services	24,011,240	24,011,240	22,495,240	1,516,000	6.3%
Health and Human Services	177,832,030	177,832,030	174,843,070	2,988,960	1.7%
Housing and Community Affairs	3,901,690	3,901,690	3,850,380	51,310	1.3%
Human Resources	6,082,800	6,082,800	6,021,970	60,830	1.0%
Human Rights	1,738,400	1,738,400	1,486,680	251,720	14.5%
Inspector General	659,310	659,310	652,720	6,590	1.0%
Intergovernmental Relations	808,960	808,960	808,960	0	0.0%
Legislative Oversight	1,246,420	1,246,420	1,177,940	68,480	5.5%
Management and Budget	3,318,790	3,318,790	3,276,380	42,410	1.3%
Merit System Protection Board	148,530	148,530	151,980	-3,450	-2.3%
Non-Departmental Accounts	112,999,840	112,999,840	114,228,010	-1,228,170	-1.1%
Police	230,280,040	230,280,040	232,186,840	-1,906,800	-0.8%
Public Information	4,960,350	4,960,350	4,910,750	49,600	1.0%
Public Libraries	28,851,080	28,851,080	29,075,770	-224,690	-0.8%
Regional Services Centers	2,699,740	2,699,740	2,645,740	54,000	2.0%
Sheriff	19,484,030	19,484,030	19,685,350	-201,320	-1.0%
State's Attorney	12,342,270	12,342,270	12,150,670	191,600	1.6%
Technology Services	26,370,280	26,370,280	26,509,350	-139,070	-0.5%
Transportation	35,464,960	35,464,960	34,698,600	766,360	2.2%
Utilities	28,630,440	28,630,440	28,630,440	0	0.0%
Zoning and Administrative Hearings	549,190	549,190	502,820	46,370	8.4%
<b>General Fund Total</b>	<b>842,911,520</b>	<b>842,911,520</b>	<b>840,803,060</b>	<b>2,108,460</b>	<b>0.3 %</b>
<b>Special Funds</b>					
<u>Bethesda Urban District</u>					
Urban Districts	3,348,720	3,348,720	3,359,910	-11,190	-0.3%

## FY11 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Silver Spring Urban District</u>					
Urban Districts	2,678,940	2,678,940	2,678,940	0	0.0%
<u>Wheaton Urban District</u>					
Urban Districts	1,410,170	1,410,170	1,410,170	0	0.0%
<u>Mass Transit</u>					
Transit Services	104,309,460	104,309,460	105,485,250	-1,175,790	-1.1%
<u>Fire</u>					
Fire and Rescue Service	182,148,330	182,574,970	185,896,740	-3,321,770	-1.8%
<u>Recreation</u>					
Recreation	25,896,670	25,896,670	25,485,970	410,700	1.6%
<u>Economic Development Fund</u>					
Economic Development Fund	852,440	1,578,570	1,528,770	49,800	3.2%
<b>Special Funds Total</b>	<b>320,644,730</b>	<b>321,797,500</b>	<b>325,845,750</b>	<b>-4,048,250</b>	<b>-1.3 %</b>
<b>TAX SUPPORTED TOTAL</b>	<b>1,163,556,250</b>	<b>1,164,709,020</b>	<b>1,166,648,810</b>	<b>-1,939,790</b>	<b>-0.2 %</b>

### Non-Tax Supported

#### Special Funds

##### Grant Fund MCG

Circuit Court	2,541,360	2,489,050	2,489,050	0	0.0%
County Executive	343,230	340,480	340,480	0	0.0%
Economic Development	2,344,020	2,344,020	2,344,020	0	0.0%
Emergency Management and Homeland Security	0	893,430	893,430	0	0.0%
Environmental Protection	162,980	5,734,740	5,734,740	0	0.0%
Fire and Rescue Service	477,100	1,600,800	1,600,800	0	0.0%
Health and Human Services	73,136,960	74,249,150	74,249,150	0	0.0%
Housing and Community Affairs	7,751,030	7,714,640	7,714,640	0	0.0%
Intergovernmental Relations	34,000	34,000	34,000	0	0.0%
Non-Departmental Accounts	20,000,000	14,359,910	14,359,910	0	0.0%
Police	286,750	3,015,480	3,015,480	0	0.0%
Public Libraries	99,290	122,290	122,290	0	0.0%
Recreation	64,010	64,010	64,010	0	0.0%
Regional Services Centers	104,500	104,500	104,500	0	0.0%
Sheriff	716,050	745,750	745,750	0	0.0%
State's Attorney	508,820	625,160	625,160	0	0.0%
Transit Services	4,329,070	4,332,170	4,332,170	0	0.0%
Transportation	51,320	251,320	251,320	0	0.0%
<b>Grant Fund MCG subtotal</b>	<b>112,950,490</b>	<b>119,020,900</b>	<b>119,020,900</b>	<b>0</b>	<b>0.0 %</b>

##### Cable Television

Cable Television	10,492,160	10,492,160	11,048,490	-556,330	-5.3%
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##### Montgomery Housing Initiative

Housing and Community Affairs	13,904,700	15,818,430	15,818,430	0	0.0%
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##### Water Quality Protection Fund

Environmental Protection	10,324,200	10,324,200	10,280,120	44,080	0.4%
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## FY11 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<b>Special Funds Total</b>	<b>147,671,550</b>	<b>155,655,690</b>	<b>156,167,940</b>	<b>-512,250</b>	<b>-0.3 %</b>
<b>Enterprise Fund</b>					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	9,325,840	9,325,840	9,130,090	195,750	2.1%
<u>Bethesda Parking District</u>					
Parking District Services	11,406,050	11,406,050	11,317,400	88,650	0.8%
<u>Montgomery Hills Parking District</u>					
Parking District Services	121,680	121,680	119,670	2,010	1.6%
<u>Silver Spring Parking District</u>					
Parking District Services	10,970,000	10,970,000	11,162,950	-192,950	-1.8%
<u>Wheaton Parking District</u>					
Parking District Services	1,240,470	1,240,470	1,226,370	14,100	1.1%
<u>Permitting Services</u>					
Permitting Services	24,151,420	24,151,420	24,683,740	-532,320	-2.2%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,699,010	6,699,010	6,699,010	0	0.0%
<u>Solid Waste Disposal</u>					
Solid Waste Services	101,427,260	101,427,260	97,227,260	4,200,000	4.1%
<u>Vacuum Leaf Collection</u>					
Transportation	5,303,340	5,303,340	5,279,640	23,700	0.4%
<u>Liquor Control</u>					
Liquor Control	42,520,100	42,512,420	42,512,420	0	0.0%
<b>Enterprise Fund Total</b>	<b>213,165,170</b>	<b>213,157,490</b>	<b>209,358,550</b>	<b>3,798,940</b>	<b>1.8 %</b>
<b>NON-TAX SUPPORTED TOTAL</b>	<b>360,836,720</b>	<b>368,813,180</b>	<b>365,526,490</b>	<b>3,286,690</b>	<b>0.9 %</b>
<b>TAX AND NON-TAX SUPPORTED TOTAL</b>	<b>1,524,392,970</b>	<b>1,533,522,200</b>	<b>1,532,175,300</b>	<b>1,346,900</b>	<b>0.7 %</b>

### Internal Service Funds

#### Employee Health Benefit Self Insurance Fund

Human Resources	187,389,810	187,389,810	175,255,960	12,133,850	6.5%
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#### Motor Pool Internal Service Fund

Fleet Management Services	57,804,700	57,804,700	57,728,840	75,860	0.1%
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#### Printing and Mail Internal Service Fund

General Services	6,507,340	7,158,730	7,158,730	0	0.0%
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#### Self Insurance Internal Service Fund

Finance	47,892,070	47,892,070	47,519,520	372,550	0.8%
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<b>INTERNAL SERVICE FUNDS TOTAL</b>	<b>299,593,920</b>	<b>300,245,310</b>	<b>287,663,050</b>	<b>12,582,260</b>	<b>4.2 %</b>
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## FY11 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<b>NDA: Tax Supported - County General Fund</b>					
NDA - Arts and Humanities Council	4,872,920	4,872,920	4,872,920	0	0.0 %
NDA - Boards, Committees and Commissions	27,000	27,000	25,590	1,410	5.2 %
NDA - Charter Review Commission	100	100	100	0	0.0 %
NDA - Community Grants	3,947,140	3,947,140	3,947,140	0	0.0 %
NDA - Compensation and Employee Benefits Adjustment	1,728,780	1,728,780	1,528,400	200,380	11.6 %
NDA - Conference and Visitors Bureau	607,350	607,350	607,350	0	0.0 %
NDA - Conference Center	567,400	567,400	567,390	10	0.0 %
NDA - Council of Governments	754,500	754,500	743,030	11,470	1.5 %
NDA - County Associations	72,710	72,710	72,710	0	0.0 %
NDA - Desktop Modernization	3,180,950	3,180,950	3,149,140	31,810	1.0 %
NDA - Grants to Municipalities in Lieu of Shares Tax	28,020	28,020	28,020	0	0.0 %
NDA - Group Insurance-Retirees	31,096,730	31,096,730	31,096,730	0	0.0 %
NDA - Historical Activities	287,090	287,090	287,090	0	0.0 %
NDA - Homeowners' Association-Roads	16,000	16,000	16,000	0	0.0 %
NDA - Housing Opportunities Commission	5,804,040	5,804,040	5,789,530	14,510	0.2 %
NDA - Inauguration & Transition	5,000	5,000	4,000	1,000	20.0 %
NDA - Independent Audit	420,820	420,820	420,820	0	0.0 %
NDA - ITPCC	5,000	5,000	5,000	0	-0.1 %
NDA - Judges Retirement Contribution	3,500	3,500	980	2,520	72.0 %
NDA - Leases	20,945,540	20,945,540	21,364,450	-418,910	-2.0 %
NDA - Montgomery Coalition for Adult English Literacy (MCA)	717,850	717,850	717,850	0	0.0 %
NDA - Municipal Tax Duplication	6,662,120	6,662,120	6,656,130	5,990	0.1 %
NDA - Prisoner Medical Services	10,000	10,000	47,730	-37,730	-377.3 %
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0 %
NDA - Risk Management	16,861,890	16,861,890	16,861,890	0	0.0 %
NDA - Rockville Parking District	381,390	381,390	374,250	7,140	1.9 %
NDA - State Positions Supplement	133,150	133,150	102,490	30,660	23.0 %
NDA - State Property Tax Services	205,760	205,760	129,390	76,370	37.1 %
NDA - State Retirement Contribution	1,030,360	1,030,360	1,030,360	0	0.0 %
NDA - Takoma Park Library Annual Payment	100,950	100,950	100,950	0	0.0 %
NDA - Takoma Park Police Rebate	717,580	717,580	717,580	0	0.0 %
NDA - Working Families Income Supplement	11,788,200	11,788,200	12,943,000	-1,154,800	-9.8 %
<b>NDA: Tax Supported - County General Fund Total</b>	<b>112,999,840</b>	<b>112,999,840</b>	<b>114,228,010</b>	<b>-1,228,170</b>	<b>-1.1 %</b>
<b>NDA: Non-Tax Supported - Grant Fund MCG</b>					
NDA - Future Fed/State/Other Grants	20,000,000	14,359,910	14,359,910	0	0.0 %
<b>NDA: Non-Tax Supported - Grant Fund MCG Total</b>	<b>20,000,000</b>	<b>14,359,910</b>	<b>14,359,910</b>	<b>0</b>	<b>0.0 %</b>

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**Montgomery County, Maryland**

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**SECOND QUARTERLY REVENUE  
UPDATE**

**Presentation to the Montgomery County Council**

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**Department of Finance**

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# Revenue Update

- **First Half Year Results:**

- Total tax collections, including investment income, totaled \$1.482 billion and were 4.9% above the same period in FY10 due primarily to rate increases in the Property Tax General Fund, fuel and energy tax, and telephone tax. Excluding property tax revenues, collections were \$462.9 million and up 7.9% from the same period in FY10.
- Income tax collections through December stood at \$262.4 million and approximately \$20.4 million below collections for the same period in FY10.
- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$1,018 million (↑3.6%) through December compared to the same period in FY10. The growth is attributed to an increase in G.F. real property rate (from \$0.683 to \$0.699).

- **Transfer and Recordation Taxes:**

- Collections from the transfer tax (excluding condominium conversions) through December of FY11 were \$36.2 million, or 7.8% below the same period last fiscal year.
- Collections from the recordation tax (excluding the CIP portion and the rate premium) were \$21.8 million, an increase of 1.1% over last fiscal year.



# Revenue Update

- **Transfer and Recordation Taxes (continued):**
  - The decrease in the transfer tax is due primarily to a decline in residential transactions (↓20.9%). The volume of transfers, not including condo conversions, was down 20.6% during the first half of FY11 compared to last fiscal year. However, the volume of recordation tax transactions (excluding CIP portion and rate premium) was up 19.1% compared to the first half of fiscal year 2010. The increase in recordation tax transactions was attributed to a 33.4 percent increase in re-financing.
  - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$58.1 million compared to \$60.9 million for the same period last year (↓4.6%).

# Revenue Update

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$142.3 million, which were 68.3% above the first half of FY10.
- Fuel/energy tax collections totaled \$107.7 million and 81.2% above the same period in FY10. The dramatic increase in tax collections is attributed to the across-the-board rate increases for FY11.
- Collections from the telephone tax were \$23.0 million and 52.0% above the previous fiscal year. The increase in tax collections is attributed to the rate increase for wireless communications for FY11.
- Collections from the hotel/motel tax are 13.3% above the same period last year.
- Collections from the admissions tax were up 41.4% compared to the same period last year.

# Revenue Summary Sheet

MAJOR REVENUE COLLECTIONS				
	Fiscal Year 2011	Fiscal Year 2010	Variance FY11-FY10	Percent Change
<b><u>TAXES:</u></b>				
Income Tax	\$262,357,556	\$282,755,239	(\$20,397,683)	-7.2%
Property Tax (General Fund only)	\$1,018,703,478	\$983,540,286	\$35,163,193	3.6%
Transfer Tax (1)	\$36,270,551	\$39,336,450	(\$3,065,899)	-7.8%
Recordation Tax (2)	\$21,839,376	\$21,604,732	\$234,644	1.1%
Fuel/Energy Tax (3)	\$107,705,873	\$59,435,171	\$48,270,702	81.2%
Telephone Tax (4)	\$22,995,686	\$15,130,482	\$7,865,204	52.0%
Hotel/Motel Tax	\$10,064,591	\$8,879,332	\$1,185,259	13.3%
Admissions Tax	\$1,560,264	\$1,103,431	\$456,833	41.4%
<b><u>MISCELLANEOUS:</u></b>				
Investment Income (Pooled Investment)	\$136,114	\$718,723	(\$582,609)	-81.1%
<b><u>TOTAL</u></b>	<b>\$1,481,633,490</b>	<b>\$1,412,503,846</b>	<b>\$69,129,644</b>	<b>4.9%</b>

SOURCE: Revenue data for the consumption taxes are from the Department's *Selected Operations Summary* reports and Fiscal 2010 data will not match data from Second Quarterly Revenue Update for FY2010.

**NOTES:**

- (1) Excludes revenues from condominium conversions
- (2) Excludes School CIP and tax premium
- (3) Some of the revenues for Fiscal Year 2011 may include the rate increase enacted in May 2010 for Fiscal Year 2010.
- (4) Some of the revenues for Fiscal Year 2011 may include rates in effect for Fiscal Year 2010.